The effects of the Olympic Agenda 2020

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BA in Business and Management
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1. Introduction

My thesis is about the 2024 Summer Olympics. It is officially called „Games of the XXXIII Olympiad”. According to Persson (2002) „Olympic Games is a big business” and the biggest business in the area of sport. The Olympic Games have a significant impact for the organizers in the short and in the long run as well, even though they last not more than a month. Games are extremely expensive to organize, but in return the hosting city achieves an enormous media exposure that could not happen in any other way. In the last two decades it became obvious that this event put cities in the places of interest of the world.

After the introduction, in the first part I am going to detail the macroeconomic effects of the Olympics. I am going to focus on the economic activity, GDP and organisational effects of the Olympic investment. Then, I will analyse what impact will be on the inflation, at the prices, and on tourism. How could the Olympic Games impact the country image? Furthermore, I am going to detail the social impact, impact on sports, and cultural effects.

The fourth chapter of the thesis is focusing on the study of the Oxford University. The Olympic Games Knowledge Management Program was developed by the International Olympic Committee. The Program was set up to help new countries and cities to avoid enormous cost overruns which was happened in the past. Group of researchers examined the results of the program and I am going to give some details of it.

After that my thesis will deal with the candidature process in details, which had three stages. This section is focusing on the countries which were selected to the bid of the Olympic candidates’ competition, followed by the countries, which withdrew their applications.

In the seventh chapter I am going to collect the main points of the venue concept, financial aims of the Los Angeles -, Paris -, Rome- and Budapest Olympic application.
The rise of the Olympics Games

The Olympic Games were held at their original site of the Olympics Games at Olympia, Greece, every four years throughout Classical antiquity, from the 8th century BC to the 4th century AD. The first Winter Olympics were held in 1924, until the end of 1992 in the same year as summer games. In 1994, they were separated and have been organizing the games on every second year after the summer Olympics. This decision was made because the television networks did not want to pay high fees for the broadcasting of the summer and winter Olympics in the same year and also the sponsors did not even want to pay too much for the ads. Since the Munich Champion 1972, tournaments have undergone significant changes, economic interests have become increasingly important. Taking into account the enormous size of the Olympics and the cost of organizing the tournament, it became clear that only the largest cities could be the hosts of the games. (Preuss 2004)

The economic impact of the Olympic Games

In the past we saw several occasions when the host city or even country could not bear the Olympic games cost overrun. If organizing a mega sport event is enormously expensive and risky, then why cities want to arrange the Olympic Games? As we can see the Olympic Games in Athens and Rio have proven that the negative legacy is possible next to all the short term financial profits which can be reinvested for long term benefits such as raise in tourism and investment in infrastructure.

The costs are enormous: China spent $40 billion to host the 2008 Summer Olympic Games in Beijing. Also many economist states it is risky to host the Olympic games, for example Zimbalist (2015, Circus Maximus) finds no net economic gains for the countries which have played host to the Olympics or the World Cup. He also states that while the wealthy may profit, the people who belong to the middle and lower income brackets do not. He predicts more outbursts of political anger like that we saw in Brazil surrounding the 2014 World Cup and the 2016 Olympic Games.
Nonetheless, organizing an Olympic Games could bring socio-economic-, socio-cultural-, physical- and political impacts. In an economic way it can advance job-creation in hospitality-related sectors. It can contribute to the convergence of the underdeveloped district by construction of sports facilities or Olympic Village, for example, in London where the introduction of the new sporting and recreational facilities revived the previously under-provided areas of the district. The new investments will result in infrastructure development and renewal of the city. There are also negative outcomes of the organization of the Olympic Games, which is reflected in rising inflation and real estate prices and threat of terrorism. (M. Malfas PhD, E. Theodoraki PhD and B. Houlihan PhD, 2004)

Should we worry about the future of the Olympic Games? In the last years we can see a trend, more and more cities withdrew their bid or a referendum was held before the bidding procedure. While 9 cities were submitted their bid for the 2012 Games, for the 2016 Olympic Games just 7 and for 2020 just 6 and for the 2024 Games several cities withdrew their bids.

2. Macroeconomic effects

There is a group of authors who claim there are two kinds of studies existing which are related to the Olympics macroeconomic effects. One is made by the consultancy firms before the Olympics. The other are published in peer-reviewed academic journals. (Coates and Humphreys 2003).

The first type of these studies use „econometric techniques to assess the effect that professional sports had on urban economies. They then predict the economic impacts and growth in income and average earnings of workers in various sectors of a city's economy and employment. (Gornostaeva, 2011 p.9)

With the usage of the available literature I try to present both sides.

2.1 The effect of Olympics to the economic activity and GDP

Macroeconomic impacts may not necessarily be interpreted by countries, more often at regional level, especially in larger economies, such as Spain, where they realized the goals
which were settled 50 years ago (for example, modernized public health care system, airport renovation) and the economy of the Catalan region has strengthened. Another example is China, where the Olympic Games had a visible impact on Beijing's GDP for example, new metro lines, new airport and suburban railway network. (PWC, 2015 p.1007)

We can make difference between direct and indirect effects in three difference phases:

### The direct and indirect effects of the Olympics in the three phase for the examined Olympics

<table>
<thead>
<tr>
<th>Phase</th>
<th>Direct effects</th>
<th>Indirect effects</th>
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<tbody>
<tr>
<td><strong>Preparation phase</strong></td>
<td>• Infrastructure investments are increasing (for example, construction of an Olympic Village, sports facilities creation), early investments (without the Olympics some investments will be realized only later); • Infrastructural projects generated employment growth; • Sprawling tourism with media outlets, tourist revenues.</td>
<td>• Tourism revenues have indirect and induced economic impacts: investment by the industries, rising consumption, balanced import, economic development, rising tax and revenue contributions. • High prices (for example, in shares, real estates) and thus causing welfare effects • Public and private investment infrastructure.</td>
</tr>
<tr>
<td><strong>The year of the Olympic Games – 2024</strong></td>
<td>• Expenditure growth in operating expenses, overheads expenditures • The boom of domestic and foreign tourism, increase in visitors spending (accommodation, travel, meal, etc.)</td>
<td>• Growing tourism in the region • Increase in sports related spending • Olympics inspired spending on sports equipment</td>
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1. Table Title: The direct and indirect effects of the Olympics in the three phase for the examined Olympics Source: (Andrew K. Rose & Mark M. Spiegel, 2011, Mizuho Research Institute, PWC, 2015 p.1007)

“Based on previous Olympic experience, during the Olympic preparation, the economy is expected to grow stronger with higher annual GDP growth. The available studies in the subject underline that the Olympic related investments and other factors (for example, Tourism boost) create greater growth, than not hosting the Olympic Games. The large investments, infrastructure developments contribute to the whole economy. Beside the public sector, the role of the private sector is also important. The presence of the private sector is a major factor in strengthening the competitiveness internationally.” (PWC, 2015 p.1008)
The Olympics presented in this chapter will include the impacts of infrastructure development projects which are linked to the Olympics in any way. It will be realized as a basic or early investment. In case of most Olympic Games, an increase in the economic activity can be felt immediately after the award of a bid, such as in Seoul (1988), or in Barcelona (1992) or in Beijing (2008). While in some countries -due to local specialities- the Olympics starts to grow in the previous two-three years of the Olympics, such as in Athens (2004). (PWC, 2015 p.1009)

The highest GDP was generated in Beijing. If we see the bigger picture, Greece GDP increased the most because of the Olympics. It can be stated that the developments, investments, consumptions related to the Olympics can generate 0.08%-1.52% GDP growth in every year from 6-7 years preliminarily the Olympic Games. In most examined countries this growth meant $5-35 billion GDP growth. (PWC, 2015 p.1009)

2.2 Impacts of Olympics to the employment

During the Olympics the number of indirect and direct employees is high. The demand increases for employees in the accommodation, transport and retail sector. It is reducing the unemployment rate. We can also distinguish between direct and indirect effects in the increasing employment during the Olympics. Directly employed who takes part in the host of the Olympics before the Olympics and in the year of the Game. (PWC, 2015 p.1010)

A good example for this is the area in London where the unemployment rate had dropped by 41%. (Barber, 2008)

The data can be misleading to. The jobs were created by the Olympics are mostly require semi-skilled or unskilled people who are working on facilities or venues which are built for the Olympics (indirectly employed) or volunteers (directly employed) who should not be included in the employment figures because volunteers were trained for specific low skilled jobs and those skills are hardly transferable after the Olympics. (Gornostaeva, 2011)
The Olympics directly and indirectly got 74 thousand volunteers and 106 thousand paid employees and produce 306 thousand workplaces every year and generated almost two million workplaces in Beijing. (PWC, 2015 p.1011)

2.3 The influence of the Olympic Games on the inflation and the prices

“The investments increased demand for accommodations, can induce higher inflation rate. As a result of this, the apartment- and house prices, living costs, and the price of the consumer products will increase accordingly. It could negatively affect the population and the country.” The researches show that in the examined cases, that the preparation for the Olympics in general does not involve significant inflation pressures, there was not any country which inflation increased during the seven years preliminarily the Olympic Games. “The inflation rate declined or stayed on the same level as it was before in the organising country. The inflation rate decreased when Barcelona, Atlanta and Athens organised the event. In Brazil the same happened. In three countries, such as Australia, China and in the United States the inflation rate was various. In Beijing the apartment prices increased during this period. In Japan, until the 2020 Olympic Games economists expect only 1% inflation increase. The Australian case is special and differs from others. Few years before the Olympic Games and in the following years of the Olympics, their average 2-3% inflation jumped immediately to 6%.” (PWC, 2015 p.1012)

2.4 The impact of the Olympics on tourism

The most commonly referred impact of the Olympics is the influence on tourism. The number of tourists increase when a country awards the right to organise the Olympic Games. The general tourism may decrease in the year of the Olympic Games, and the number of travelling can increase if the citizens try to avoid the mass of the Olympic Games in their country. We saw the same is London where the residents and tourist scared of the overcrowding. This significantly affect government revenues include tax on gambling and alcohol. (Blake, 2005)
We distinguish two type of tourism among those who are arriving for the Olympics. The tourists who are coming to watch the Games, they are the sport tourist, they are travel to see the games spend much more than the average generating an increased income to the tourism sector because they are largest proportion of foreign who are buying tickets for the port events. The other are the leisure tourists who travel to take a look at the venues or enjoy the events surrounding the Olympics. In general, it can be stated that the number of tourists higher in the years of the Olympic than before or after. Generally, the organising country can experience this since they win the bid. We can distinguish pre-, post- and event time tourism.

**Event time tourism**

“The number of the locals and in-country visitors – except in case of Barcelona- was significantly higher than the number of foreigner visitors. For example, in Sydney, 368.000 domestic visitors had 110.000 foreigner visitors to the country. In Athens 510.000 domestic and 150.000 foreign visitors were counted. In Beijing, 6,14 million domestic and 380.000 foreign visitors went to the events. In the last Olympics, hosted in London, the foreign visitors were 700.000 included the Paralympic visitors and personnel as well.” (PWC, 2015 p.1012)

**Post-Games tourism**

“Experts predicted 136% growth in tourist number for Rio de Janeiro after the football world cup. Other countries did not experience the same hype in tourist number after their Olympic Games.” The number of tourists increased by 2.7% in Greece in the next eight years, while the number of employees declined in tourism. However, Greece is a special country from this aspect, as the number of tourists were already high before they hosted the Summer Olympic Games. (PWC, 2015 p.1012- 1013)
2.5 Impact on the country image

There are several advantages and disadvantages for the Olympics hosting country which cannot be quantified. These effects sometimes are stronger than the well-measured economic advantages and disadvantages. The country is accessed in a spotlight since they award the right to organise the Olympic Games. The strategy to design the image of the host country and city can result plenty of benefits for them. To compose the image of the host city and their strategy would need for the application for the Games. The changes are made on the city in order to be able to host the Olympics is an advantage for the future as well. The new buildings and facilities can service the city after the Olympic Game in order to boost the tourism. (PWC, 2015)

2.6 Effects on Sports

“The country of the tournament develops sports infrastructure for the Olympics and Paralympics, formulate a national sport strategy for the Olympic Games, providing more and better sporting opportunities for its people in the Olympic Games even before and after they were organized.” The Olympics and Paralympics promote sports as a sport through sporting events. It can be seen the increased spread of previously unknown or less popular sports in the country are getting popular between local citizens. This can lead to the healthy lifestyle and wellbeing.” (PWC, 2015 p.1019)

However, several studies shown that this increasing is just temporary. For example, in Athens by 2009 the number of people who participates in sports fell by 13%, even below the 2004 levels. (British Medical Journey, 2012)

2.7 Cultural impacts

The spirit of the Olympics and Paralympics have a significant impact on the culture of the host city and country. The successful host of the Olympic Games requires a large
number of properly trained personnel, most of which volunteers (47,000 in Sydney, 45,000 in Athens, and 70,000 volunteers in Beijing and London).

During the 2012 London Olympics and Paralympics, nearly 700,000 foreigners visited England, some 60% from Europe, another 18% from North America, and 22% from other countries. The visitors of the Olympic Games are culturally diverse, such as language, religion, or habits wise. The organizing city and country should be prepared to serve the needs of the different cultures, to inform them and move them between the venues. The preparation includes learning the language skills, communicating skills, and developing tolerance. (WPI, 2011)

In Beijing between 2002 and 2008 the portion of rail transport in urban passenger transport increased from 18.7% to 44.8%. In London, television broadcasting has reached about 3.6 billion people during the Games. Along with the growth of tourism in the country.

**Causes of disability inequality were addressed**

During the Olympic Games in London, 81% of the people who was surveyed claimed that they had a positive effect on how British people view people with disabilities. Hosting the Olympics and the Paralympics could help to improve the positive self-image of the country. (PWC, 2015 p.1020)

**Cultural awareness**

The opening and closing ceremony give a chance for the organizers to get to know the culture of the city and country with millions of people from all over the world. A good example for this is the 17th FINA World Championships which were held in Budapest.

**2.8 Social Effects**

“The social effects of the Olympics and the Paralympics appear in the period preceding and following the Olympic Games as well as during the Olympic Games. The
considerable workforce of preparing for the Olympics and Paralympics can provide employment opportunities to a wide range of society, which will reduce current unemployment.” (PWC, 2015 p. 1022)

Nevertheless, as Zimbalist stated there may be people from the capital who has to move to provide accommodation or homeless people who were banned from playing some parts of the city. (Zimbalist, 2015)

For example, in the 2008 Beijing Olympics and Paralympics, where 57% of the natives has been evicted that has received a major negative response from the international press. This figure is not so common to become published so we could not be sure that this did not happened in other host cities in the past. (PWC, 2015 p. 1022)

In London the property prices in the district of the Olympic cluster are sold between 2.1% and 3.3% higher. Houses up to three miles away from the main Olympic stadium sell for 5% higher. (Kavestos, 2012)

3. Methodology

As the main motivation of the thesis is to study what are the effects of the agenda 2020. My main point is to analyse which candidate city integrated the recommendations of the agenda 2020 and which candidate city meet the requirements to hold the 2024 Olympic Games in the spirit of the agenda 2020. My research focused on the economic impacts of the agenda.

To see why the agenda was needed to introduce, I begin with the presentation of the Olympic Games Knowledge Management Program which shows us the costs and the costs overruns of the Olympics Games.

After that I summarize the main point of the Olympic Agenda 2020 which is effected the candidature process as well.

To show the new process of the evaluation and how the process looks like I start from the date when the bidding initiated.
So, I analysed the candidature files of the selected bids by the following aspects and compare them to the London 2012 and Rio 2016:

- **New bidding procedure**

The IOC shape the new process as an invitation to decrease the candidature cost. I compared the 2024 candidate cities.

- **Competition venues**

I used the data from the candidature files to compare Rome, Budapest, Los Angeles and Paris venues with the two previous Olympic Games host cities, London and Rio to examine the changes have been made by the Agenda 2020. I considered as a main benchmark the construction status of the venues, the average capacity of the competition venues, the expenditure and the location.

The identification and comparison of costs is a difficult task due to the different classification and categorization. The candidate cities and the previous host cities categorize differently their costs.

- **Finances**

I analysed the financial aims of the Los Angeles -, Paris -, Budapest Olympic application. I did not have enough data to analyse Rome, because they withdrew their bid before the submission of the Part 2 and 3 of the Candidature File.

What happens after the adoption of Agenda 2020, how it changed the budget, is it providing the least possible chance for the smaller cities to host an Olympics Games? We are looking for these answers in the following.

In my thesis I want to analyse how will the agenda 2020 and the Knowledge Management Program help the host cities to organize a Summer Olympic Games in a more sustainable way and to fit the Olympic Games into the city’s long-term vision.
4. Olympic Games Knowledge Management Program

Said Business School which is the business school of University of Oxford was researching the costs of Olympics, they measured how much money every Olympic Games required more.

The International Olympic Committee developed a program helping out the "eternal beginner" syndrome of the new host cities and nations. The Committee developed what called as the Olympic Games Knowledge Management Program. It is a knowledge transfer program that allows the new host cities and nations learn from earlier experiences.

Study about the costs and the costs overrun

The researchers of Oxford found that the average cost for Summer Games were USD 5.2 billion (2015 level), and USD 3.1 billion for Winter Games.

Costs of Olympic Games in billion 1996-2016


First of all, the most expensive Summer Games to date were London 2012 at USD 15 billion. The examined period was between 1960-2016 and includes only sports-related
costs. In this study the capital costs for infrastructure were excluded. (Which are often larger than sport related costs.)

**Olympic Costs (in billion)**

<table>
<thead>
<tr>
<th>Events</th>
<th>Athletes</th>
<th>Costs in Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Atlanta (1996)</strong></td>
<td>271</td>
<td><strong>Atlanta (1996)</strong></td>
</tr>
<tr>
<td><strong>Beijing (2008)</strong></td>
<td>302</td>
<td><strong>Beijing (2008)</strong></td>
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<tr>
<td><strong>Average</strong></td>
<td>239</td>
<td><strong>Average</strong></td>
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<tr>
<td><strong>Median</strong></td>
<td>237</td>
<td><strong>Median</strong></td>
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We should also clarify that cost overrun occur in other fields of mega projects. the inherent risk and the uniqueness of the project and the difficulty to find similar information about same projects. Large investments typically require significant resources and public funds, and have to be ready within fixed deadlines, with the creation of very complex systems. The success of large investments goes beyond themselves, they can boost the economy, can increase employment, living standards, but also can lead to counterproductive results. (ÁSZ, 2016)

Although, the Olympics have the largest average cost overrun. Furthermore, the cost overrun happens in all Olympic Games, with no exception. Almost half of them, about 47 % of Games have cost overruns above 100 %. The Montreal Olympic Games had the highest cost overrun in 1976 by 720 %. The second largest was Barcelona 1992, overrun by 266%. In case of Winter Games the highest cost overrun was 324 % for Lake Placid in 1980. The second largest was Sochi in 2014 by 289 %. The Olympic Games Knowledge Management Program reached great success in cost efficiency of the Olympic
Games. The efficiency of the Program can be exactly measured. Before using the Program, the cost overrun was 166%, after only 51%. (Flyvberg, Steward, Budyier, 2016)

Finally, the costs of the Olympic Games of Rio de Janeiro went back on track and had a median level costs, after the extremely high costs of the London (2012) and Sochi (2014) Olympics. In Rio de Janeiro, the cost overrun was USD 1.6 billion (51%), this is the median cost overrun since 1999. (Flyvberg, Steward, Budyier, 2016)

**Cost per events at the Olympic Games (1996-2016)**


Consequently, comes from the results above, when the nation and city decides to host the Olympic Games, they take the financially riskiest and most expensive project. (Flyvberg, Steward, Budyier, 2016)
The reason of this study

At the last six Olympic Games between 2004-2014, the average cost was USD 8.9 billion. To study the cost overrun compared to the original budget is crucial for the future Olympic organising cities to understand the size of the project and the risk they undertake. It is part of the bidding that the IOC (International Olympic Committee) requires guarantee from the organising cities and government that they can cover any cost overrun in the Olympic project. The overrun should be taken into account in the budget planning to get realistic pictures. Furthermore, the already tightened government spending and being in a crucial economic environment requires that the Governments make financially grounded decisions. For example, in Greece the debts and cost overrun from Athens 2004 Games enormously affected the Greek economy. It contributed - with other factors - into a deep economic crisis, which started in 2007 and still has impact on the economy. Rio de Janeiro's governor in June 2016, declared a state of emergency to have additional funding for their Olympics. At time when they bided for the Games, their economy was running well. One decade later, the Olympic costs were escalating, causing and the country its worst economic crisis lack of funds to cover costs. Countries with small and weak economies should make sure they do not end in a similar situation. The host often
misinform about the cost overrun of the Olympics. In London the cost overrun was 100%. The organisers falsely claimed that the London Olympic Games came in under budget. Because of this type of lying, independent studies needed in this topic. (Flyvberg, Steward, Budyier, 2016)

Cost Overrun at the Games

Table 3. represents the % cost overrun for the Olympic Games 1960-2016. Cost overruns are determining the Olympics. Important to mention, these cost overrun excluded inflation. If the they had been calculated including inflation they would have been significantly larger.

<table>
<thead>
<tr>
<th>Sports related cost overruns, Olympics 1996-2016</th>
<th>Cost overrun (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta (1996)</td>
<td>151</td>
</tr>
<tr>
<td>Sydney (2000)</td>
<td>90</td>
</tr>
<tr>
<td>Athens (2004)</td>
<td>49</td>
</tr>
<tr>
<td>Beijing (2008)</td>
<td>2</td>
</tr>
<tr>
<td>London (2012)</td>
<td>76</td>
</tr>
<tr>
<td>Rio (2016)</td>
<td>51</td>
</tr>
<tr>
<td>Average</td>
<td>176</td>
</tr>
<tr>
<td>Median</td>
<td>83</td>
</tr>
</tbody>
</table>

The Oxford researchers found the following:

1. Differing from any other megaprojects, all Olympic Games have cost overrun. In case of other project types run typically 10-20% run under the budget. The researcher did not find any Olympics which run under the budget. In general cases, the planned budget is the expected value to spend on the project. Planning the Games, the budget seems the minimum budget constantly overspent. When the country guarantees that they will cover overruns of the Olympic Games is like signing a blank cheque. (Flyvberg, Steward, Budzier, 2016)

2. The Games have the largest average cost overrun of any megaproject. Previous studies found average cost overruns for large bridges and tunnels were 34 % overrun, for road transportation 20%, and 45% for rail transportation. The high cost overrun might be related to fix deadlines in the project. (Flyvberg, Steward, Budzier, 2016)
3. The above detailed financial exposures for the Olympics should be a caution for every country who is considering to host the Games. Especially, fragile economics should consider this decision carefully. The decision maker government officials should concern this decision, because it he cost overrun might cause financial and fiscal implication. As it happened in Montreal. It took 30 years for them to pay back the debts which came from the 720% overrun of the 1976 Summer Olympic Games. Athens in 2004 also experienced the same. The overruns of Olympics spiralled into the 2007-2016 financial crises. (Flyvberg, Steward, Budyier, 2016)

The Olympic Games Knowledge Management Program

The International Olympic Committee (IOC) in 1990’s were looking for a knowledge transfer between cities previously hosted the Olympics and new organising cities, order to avoid the "eternal beginner" syndrome. (Flyvberg, Steward, Budyier, 2016)

To organize the Olympic Games, the candidate cities have to be very well-prepared since this is a “complex pace-time operation” which consist two years of bidding and seven years of preparations and the competition. (IOC, 2016)

The IOS started to develop an Olympic Games Knowledge Management Program (OGKM), which was delivering information between new and old host cities to help nations learn from each other. The program has accumulated relevant knowledge available for host countries. Furthermore, the program has people who are responsible for host cities and countries.

The Program boost OCOGs to educate themselves and also offers new technology services and human related workshops. OCOG is working in line with Agenda 2020. (IOC, 2016)

The purpose of this program is to learn how to reduce the risk of the cost overrun of the Olympic budget. If the data shows reduction in cost overrun year by year, means that the Program works well. If there is, no sign of cost overrun deduction, it means that the Program does not work properly. The Program was used from 1995’s in the preparation of the Sydney Olympic Games. The researchers in this study compared the cost overruns
for the Olympic Games before the Sydney Olympic Games and after the Games, including Sydney. They compared ten Games before 1999 and nine after 1999. It can be seeming from the data, that there is a difference between the two examined periods. The median cost before the use of the Program (1999) was 166 %, after it reduced to 51%. Data showed to the researchers that cost risk decreased after the Program started to work. The IOC enforces the use of the program and does not want to experience the cost overruns like in Sochi in 2014. In general, saying, there is a trend of falling since 1999 and it was continued until Beijing Olympics (2008) and Vancouver (2010), then the direction of the trend changed and in London (2012) and Sochi (2014) had high overrun costs. (Flyvberg, Steward, Budyier, 2016)

5. The introduction of the Agenda 2020

Due to the increasing cost of organizing an Olympics games the IOC established the Olympic Agenda 2020 which was agreed unanimously at the 127th IOC Session in Monaco on the 8th and 9th of December 2014 to see the main points and to use later on in the comparison between the cities candidature files. This Agenda is a strategic roadmap for the future of the Olympic Movement. The 20+20 are small pieces, which when you put together give us the clear picture how to enhance the Olympic values. „Sport has the power to change the world.” – Thomas Bach quoted Nelson Mandela at the 127th IOC Session to implement the changes in the Olympic Movement. (Agenda 2020, 20+20 Recommendations)

I highlighted the main points from the Agenda 2020, 20+20 Recommendations:

- **Recommendation 1:**
  Renew the bidding procedure. From the acceptance of the Agenda 2020. An invitation phase changes the old scheme. In the new process the IOC focuses on the dialogue between them and the future candidate cities to create a strong basis for the next stages. The IOC promote to use the highest number of existing facilities and to use demountable and temporary venues. The IOC allow to host the preliminary competitions or the organization of entire sports outside of the host city, in exceptional cases, even outside of the host country in the spirit of the sustainability or for geographical reasons.
- **Recommendation 3:**
  Reducing the cost for bidding by lowering the number of presentations are allowed and providing a significant financial contribution.

- **Recommendation 10:**
  Move from a sport-based to an event-based programme. IOC will not allow that the games grow bigger by limiting the number of accreditations.

- **Recommendation 14:**
  Strengthen the 6th Fundamental Principle of Olympism by including non-discrimination of sexual orientation in the Olympic Charter.

- **Recommendation 15, 16, 17, 18:**
  Supporting the clean athletes and the importance of the athletes’ experience.

- **Recommendation 19:**
  Launch a new Olympic TV Channel which will broadcast sports and become a platform for athletes and spread the Olympic values for the whole year.

- **Recommendation 27, 29, 30, 31:**
  Adapting and further strengthening the principles of good governance and ethics to changing demands.
  (Agenda 2020, 20+20 Recommendations)

**6. Candidature process**

The candidature process was announced on 16 September 2015.
Candidature process Olympic Games 2024

<table>
<thead>
<tr>
<th>Stage</th>
<th>Dates</th>
<th>Candidature File Submission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision, Games Concept and Strategy</td>
<td>15 September 2015 – 1 June 2016</td>
<td>Candidature File Part 1</td>
</tr>
<tr>
<td></td>
<td>(Executive Board date to be confirmed)</td>
<td>17 February 2016</td>
</tr>
<tr>
<td>Governance, Legal and Venue Funding</td>
<td>June – December 2016</td>
<td>Candidature File Part 2</td>
</tr>
<tr>
<td></td>
<td>(Executive Board date to be confirmed)</td>
<td>7 October 2016</td>
</tr>
<tr>
<td>Games Delivery, Experience and Venue Legacy</td>
<td>December 2016 – September 2017</td>
<td>Candidature File Part 3</td>
</tr>
<tr>
<td></td>
<td>Election by IOC Session</td>
<td>3 February 2017</td>
</tr>
</tbody>
</table>


The first stage was the „Vision, Games Concept and Strategy”. On 15th September the city informed the IOC of the name of the cities in the bid. The NOC (National Olympic Commission) organised a meeting with each candidate city on 23-25th September. One month later, on 16th October the Candidature Process got signed by the cities and on 16th of November a workshop was held in Lausanne. As the table shows above on 17th February was the deadline of the „Vision, Games Concept and Strategy, the first part of the Olympic application. Between February and May 2016, the application was analysed by the evaluation Commission Working Group and they reported to the IOC Executive Board. On 1st of June the IOC Executive Board confirmed the name of the candidates who were successful and passed to the next level. (Grohmann, 2016)

The second stage name was the “Governance, Legal and Venue Funding”. Between 1st and 3rd of June of 2016 the successful cities got feedback about their stage 1 submission from their National Olympic Commission. An Olympic Observer Programme and the “Governance, Legal and Venue Funding Workshop were held between 5th and 21st August in Rio de Janeiro.

October was the deadline of the Part 2 of the application process, namely the “Governance, Legal and Venue Funding”. From October to November the Evaluation
Commission Working Group analysed the application documents and they sent their report to the IOC Executive Board.

In November, the “Games Delivery, Experience and Legacy Workshop” took place in Tokyo. In December the IOC announced the cities which managed to pass to the next stage.

The third stage was called „Games Delivery, Experience and Venue Legacy“. The third analyses include the visit to the participant cities, between 10th of May to 12th of May in Los Angeles and between 14th of May to 16th of May in Paris. (AFP Reporter, 2017).

6.1 The Candidate cities in the bid

On 16th September 2015 five cities were in the bid. Hamburg withdrew its bid on 29th of November, then Rome withdrew its bid on 21st of September 2016 and Budapest withdrew its application on 22nd of February 2017. Rome had financial difficulties, Hamburg had a referendum which did not supported the bid, and Budapest withdrew its bid after a petition. (BBC, 2017)
The process of choosing the host city

Two candidates, Los Angeles and Paris remained in the bid and the successful candidate announced on 13\textsuperscript{rd} September 2017. As it was mentioned before, the IOC suggested that Los Angeles and Paris will be given both one Olympic Games. One in 2024, the other is in 2028. First both cities opposed this idea, but later Los Angeles stated that they are going to consider this idea, if this case will be announced in September. On the meeting of the International Olympic Games the Committee accepted the idea of Thomas Bach President. (BBC, 2017)
6.2 The selected bids

Los Angeles bid

The Southern California Committee announced its bid for the 2024 Olympics on 26th of April 2014. Boston dropped its bid, and Los Angeles was eager to represent the United States in a bid. LA City Council voted 15-0 to help the bid for the Olympic Games. For the Games further investments were planned by the City Council. The construction is the two million dollars’ football stadium in Inglewood. The Olympic Village was planned to build at the UCLA Campus. Media staff is going to stay in USC complex. In February 2016 Los Angeles announced its Olympic logo and its slogan (Wharton, 2017). Loyola Marymount University made a research and their survey showed that 88% of citizens supported the Olympic idea in Los Angeles (Wharton, 2016).

Temporary facilities also needed for the Olympics. The plans included an elevated track over the football field and a temporary convert of the Figueroa Street. In Rio de Janeiro Mayor Eric Garcetti led the contingent to promote the application of their city. In September 2016 released their Olympic Games video, where the spot features local scenes and children are speaking about their dream city.

Jerry Brown, governor of California signed the legislation which allowed $250 million guarantees for the city to host the Olympic Games. In October they moved the media centre to USC campus. Los Angeles in November 2016 released a statement to congratulate to Donald Trump for his win for the Presidency and their appreciation his help to support the American Olympic application. In November 2016 President-elect Donald Trump expressed his help for Mayor Garcetti. Also, the Mayor and Allyson Felix led the leaders and the Olympic supporting presentation in Qatar.

Los Angeles in 2016 released a budget with $5.3 billion in costs for the Games. Los Angeles issued a report in January 2017 which stated that the Olympic Games are going to boost their economy by $11.2 billion.

In February it was released that film studios in Hollywood – Warner Bros, Disney, Fox and NBC Universal- are going to support the American Olympic bid.

In April 2017 the Olympic Committee issued videos to show how the Olympic Games look like.
Paris bid

The former French Minister of Sport, Jean-Francois Lamour, announced the French Olympic bid on 23rd of June 2015. The city planned to budget 35 million euros to build new sport buildings (Calgi, 2017).

Anne Hidalgo, the mayor of Paris, warned the city that Paris might not be able financially to put itself to post the Olympics. In 2015 she blessed the France bid. The French President in Rio de Janeiro promoted the bid. Marseille was chosen to host the sailing competition.

Paris showed their logo for public. On the Eiffel Tower „Paris, Candidate city, Olympic Games, 2024” appeared and Arc De Triomphe lit at 2024 the Olympic Games logo.

In November Anne Hidalgo and Teddy Riner led the Paris 2024 contingent presentation in Qatar. When the third and the last applications were made, the Eiffel Tower was in Olympic colours in February 2017 with the French slogan: „Made for Sharing”. Mayor of Montreal expressed his support for the French bid included previous Olympic host cities, like Tokyo, Athens, Barcelona, Mexico and Sydney. In February, Anne Hidalgo, Parisian mayor visited Tokyo and met Yuriko Koike and discussed the upcoming Olympics.

6.3 Selected, but withdrawn bids

Budapest

The Assembly of the Hungarian Olympic Committee and the Assembly of Budapest agreed to bid for the Olympics in June 2015. Next month the Parliament voted to support the bid. The Budapest City Council on 28th of January 2016 approved the list of venues. Thomas Bach visited the Hungarian capital in December 2015 and he stated that Budapest with the Agenda 2020 is a „strong contender” to organise the Olympics in 2024. In his opinion cities like Budapest could have the opportunity to organize the Olympics, and could be more profitable and cheaper than in other cities.

The Leader of the Bid, Balázs Fürjes said that the Olympic Games suggest that Olympic Games are for mid-size cities as Budapest as well, not only for mega cities. The Olympics in Budapest could give hope to cities with similar size and facilities to apply for organising the event in the future. The Olympic Movement will create new opportunities.
He represented the Hungarian bid in Qatar, Doha and the Hungarian delegation focused on the points why Budapest would be the most suitable for organising the Games. The Hungarian Prime Minister, Viktor Orbán also fully supported the idea of the Olympics’. He stated that organising the Olympics would be great event in Hungary and Hungary would represent the whole region.

The Hungarian 2024 logo consisted movement and plenty of water and was produced by 200 children, student, and graphic designers.

Momentum Movement, the civil organisation started to have a petition addressing whether the citizens of Budapest wanted to organise an Olympic game or not. The opposition parties joined to the Movement and criticized the bid. They suggested to use this amount of money to develop education, transportation, health care. On 17th of February 2017 Momentum finished to collect the necessarily amount of signatures, 266,151 pieces of them.

As a direct consequence, on 22nd of February 2017, Budapest withdrew its application for the 2024 Summer Olympic Games. Only Los Angeles and Paris remained in competition after this step.

**Rome**

Matteo Renzi Prime Minister confirmed on 15th December 2014 that Rome was going to apply for the 2024 Olympic Games. Later, Pope Francis met the National Olympic Committee and stated that the Vatican City could host some event during the 2024 Olympics, football and archery (Europe, 2014). The CONI (Italian National Olympic Committee) in February announced that Luca di Montezemolo would lead the bid as a president of the committee.

Virgina Raggi, Mayor of Rome on 21st of September 2016 announced that based on ongoing financial problems in the country as main reason, Rome cancels the bid. She was afraid further financial exposures would cause Rome to fall into more serious financial difficulties. Rome officially suspended the bid on 11th October 2016 and did not revived
Hamburg

Thomas Bach, president of IOC announced in October 2012 that Hamburg would apply for the 2024 Summer Olympic Games. Hamburg has a good location, combining its non-water based and water-based places for the Games. Hamburg would have hosted the game first in their history. In March 2015, the DOSB (National Olympic Committee) proposed Hamburg to be a candidate city for the bid. The city used their previous logo and slogan of their earlier bid in 2012. Hamburg was one of the German cities which successfully hosted the 1974 and 2006 World Cups. Hamburg chose Kiel for the sailing competitions.

In November 2015, a referendum was held, where 51.6% of citizens voted against the bid at the Olympics. (Livingstone, 2015)

### Candidature budget

<table>
<thead>
<tr>
<th>Cities</th>
<th>Candidature budget (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris</td>
<td>79,3</td>
</tr>
<tr>
<td><strong>Los Angeles</strong></td>
<td>40-55 (all from private sources)</td>
</tr>
<tr>
<td>Budapest</td>
<td>58,5</td>
</tr>
<tr>
<td>Roma</td>
<td>35,1</td>
</tr>
</tbody>
</table>


The new process of choosing the host city was created in the interests of cost-effectiveness. “The implemented changes designed to cut costs, including a reduction in official meetings, bid documents submissions done electronically to save on printing, IOC provided services during evaluation visits and a more streamlined process overall. In the past, final bidding costs often soared above $100 million based on reports from inside sources.” (Livingstone, 2016)
7. Venue concept, Finance and Sustainability

7.1 The Competition Venues

The new venue concept detailed in the agenda 2020. The IOC allow for the host city to organise competitions outside of the host city even outside of the host country for reasons of geography or sustainability.

As described in the methodology, identification and comparison of costs is a difficult task due to the different classification and categorization. In this comparison, only the construction, reconstruction and modernization expenditures of sports venues are examined. Since one of the biggest expenditure on the Olympic events is the construction of new facilities or the reconstruction of existing ones or where there is no need for the building after the Olympics, the construction of a temporary venue. Therefore, I compared the candidate cities with the Olympics Games in Rio and London.

The growing number of Olympic accreditations and the fact that newer and newer competitions will be added to the Olympics palette, more and more locations are recommended. The venues of the primary structure are often built only for the sake of the games, so it is important to design their post-Olympic utilization as well. However, the capacity of the facilities must comply with the IOC standards.

The interest in organizing the Olympic Games is the long-term use of the built-up sites. With the positive example of the Munich Olympics in 1972, the organizing committee could recommend the amount which is needed to build a temporary facility, from which the city could build buildings that are more expensive but durable and there is no need for utilization in the sports sector. In Munich, a new trade fair was built, which was used at the Olympics for wrestling, fencing and weightlifting events. (Genscher 1971)

Rome

In Rome 29 venues are existing or temporary venues out of the required 41 venues which is 85 per cent of Games’ needs. Rome would have built 5 new venues specially for the Olympics Games out of the 6 planned. Only two Olympics sports would have been planned to host outside of Rome (preliminary stages of football competitions and sailing).
These competitions would have been taken place in 11 cities all over Italy. In case of the football competitions the longest destinations from Rome are Udine. There is no direct air transport between Rome and Udine and the distance is 646 kilometres between the two cities by land transport and it takes more than 6 hours to get from one city to another. There is direct air transport to Cagliari where the sailing competition takes place but by land transport it takes more than 10 hours to reach our destination. 
(Rome2024.org (2015) Candidature file 1)

**Paris**

In the candidature file Paris states that their concept was to maximise the usage of the existing world-class venues that are well-equipped to host the competitions and the temporary venues in or nearby iconic buildings which will deliver magic moments for sportsmen and sportswomen and even for the sports fans. Paris proposed 38 competition venues (with the football stadiums) and more than 80% of the venues are located within a 10 km radius of the Olympic Village and 85% will be reachable less than 30 minutes from Olympic Village. 28 venues are already existing or temporary venues in line with Olympic Agenda 2020 which is 93 per cent of Games’ needs. Similarly, to the Rome candidature file, Paris also planned to hold the football competitions and sailing outside of the capital city. Out of the 38 competitions venues 30 are situated in Paris. The greatest distance will be between Paris and Nice. The travel time is 8 and a half hours by car and more than 5 hours by TGV. Olympic Village concept will be designed with athletes. This decision truly follows the 2020 Agenda recommendation to emphasise the importance of the athletes’ experience. The Olympic Village is a long-term development to meet with the increasing population of Paris especially in Seine-Saint-Denis. (Paris2024.org, 2015)

**Los Angeles**

In Los Angeles candidature file, we can read about the principles of the Agenda 2020 when they embrace the usage of their existing assets and plans as well. In the Los Angeles 2024 venue plan we can see 5 different cluster all within 30 minutes of the Olympic Village. Los Angeles proposed 27 venues.
Unlike any other candidate cities in Los Angeles all of the sport competitions take place in the city and 97% per cent of the competitions venues are already existing due to the legacy values from the 1932 and 1984 Olympics Game or due the high number of city’s professional teams. So Los Angeles offers the easiest reachable venues. The spectators can get from one venue to another within an hour. Another positive point towards Los Angeles that there is no land acquisition required for any of the competitions or non-competitions building. So there is no need to be afraid from the rehousing, which many economists have referred to as negative consequences for Olympics Games. (LA2024.org, 2015)

**Budapest**

Budapest planned 40 competitions venues for the Olympic games. Budapest would have had the most venues outside of the host city. Beside of the usual sailing and the preliminary stages of football competitions, Budapest would have arranged the group stages of basketball and handball, table tennis, golf, riding, rowing, canoe /kayak and open water swimming. 18 venues are already existing or temporary venues in line with Olympic Agenda 2020 which is 53 per cent of Games’ needs. This percentage is lower than the other cities number, but in Budapest the work on the existing venues are significantly less. The furthest location from Budapest would have been Debrecen but this place is 2 hours from Budapest. (bomalapitvany.hu)
The venue concept of the Olympics Games host cities

<table>
<thead>
<tr>
<th>Venue Infrastructure Expenditures (USD in million) in the year of the bidding</th>
<th>Capacity/venue</th>
<th>Existing (no work required)/Existing (work required/Additional temporary/Planned/Additional)</th>
<th>Venues not in the host city</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>1 303</td>
<td>25 521</td>
<td>13/2/9/6/3</td>
</tr>
<tr>
<td>Rio</td>
<td>479</td>
<td>20 419</td>
<td>11/8/7/9</td>
</tr>
<tr>
<td>Paris(^3)</td>
<td>892</td>
<td>20 399</td>
<td>18/10/8/1/1</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>500,1</td>
<td>23 089</td>
<td>16/2/12/1/0</td>
</tr>
<tr>
<td>Budapest</td>
<td>984,5</td>
<td>12 466</td>
<td>14/4/6/13/3</td>
</tr>
<tr>
<td>Rome</td>
<td>N/A</td>
<td>21 925</td>
<td>24/5/7/3/2</td>
</tr>
</tbody>
</table>

\(^3\)One arena is listed in existing and in the existing with permanent work required list due to the different sport event usage


Despite of the recommendation of the agenda 2020 the venues number which are situated outside of the host city did not increase for the Olympics Games 2024, except in the Hungarian bid. After Budapest, London used the most rural venues. Six different kinds of sports have been organized in 9 different venues outside of London. Rio only organized football in other cities. Among the candidate cities for the 2024 Games, Budapest would
have used nine cities outside of Budapest which would have taken place for 10 different kinds of sports.

If we see this reflecting to the agenda 2020, there were no significant changes despite it allows to set up various sporting events outside of the host city.

The agenda did not influence the capacity of the new venues but the agenda did influence the selection of the competitive venues. While in Sydney just 44%, in Athens 72% and in Beijing 48% of the competitive venues was available at the time of the candidature process in Paris 93% and in Los Angeles 97% of the venues are existing or planned as temporary. (Preuss, 2004)

There is either positive and negative legacy of the building of the Olympic Games, while in Athens and Rio most of the venues has been closed or abandoned, some of them are already in disrepair. In London the Olympic venues are fully utilized. The Olympic park itself had 4 m visitors in the first two years after the reopening.

While in Rio there was 11 new venues and London had 3 permanent additional competitive venues and the expenditure of more than 1 300 million USD, in Paris in Los Angeles in Budapest in Rome it is definitely a step forward which we could thank to the Olympic Agenda 2020.

7.2 Finances and sustainability

Los Angeles 2024

Finance

The LA 2024 updated its financial plan in February 2017. They calculated with 1.9 % inflation rate, so the $5.3 billion of revenues changed to $6.2 billion in estimated 2024 dollars. The LA2024 budget included the contingency fund ($488 million), which equals to 10% of the expenditures to organise the Olympic Games. This amount equals to $567 million – based on 2024 prices. One part of this contingency fund is the allocated contingency ($250 million). It can only be used to cover budget deficits with the written consent of the Government.
At the beginning of 2022, the LA 2024 starts setting aside funds to the allocated contingency account. The revenues are going to be received in 2023 and 2024. This account will have $70 million balance by early 2024. The remaining $180 million will be deposited until 2025. When the books will be closed the remaining debts will be paid from this money. If there is a profit on the business, it would be devoted to youth program, as it happened in 1984, when the profits were devoted to youth sport programs. (LA2024.org, 2015)

**Paris 2024**

**Finance**

The Olympic Games in France will be financed by private sector funds, and the Paralympic Games will be financed by the Government in line with the IOC/IPC Agreement. Paris 2024 estimates OCOG (the Organising Committee for the Olympic Games) revenue at $ 2.48 billion to host the Games.

OCOG estimates $1,806 million from local sponsorship, $1,147 million from ticket sales. Licensing and merchandising would bring $145 million and other sources $97 million for France. France estimation is conservative and based on their previous international sport event organising experience.

The candidature budget in France was supported by the private and public sectors. It was approved by the Paris 2024 Board of Directors and it counted $ 72.4 million. This bid will be paid by revenue from private and public sources. The National Government, the City of Paris, the Paris Region (each) committed to pay $ 12.1 million in funding. The private sector is going to contribute the same, 36.3 million. The business sector is really interested to support the bidding of Paris. (Paris2024.org, 2015)

**Budapest 2024**

**Finance**
The OCOG budget of Budapest main sources:

- Income from NOB – $1.500 million
- Private sector is going to support the event by $310 M
- Ticket sales approximately would take $334 million.
- Income from the Government $605 million.
- Support of the Paralympics by the Government - $21 million

After conservative consideration of the revenue and expenditures, can be stated that the revenue of the Budapest Olympic Games would cost $2.963 million and the expenditures would cost the same, $830 million. (PWC, 2015)

8. Summary

My thesis dealt with the 2024 Summer Olympics. The bidding started in 2015 for the 2024 Olympics and five candidates were in the competition. Three candidates (Budapest, Hamburg, Rome) application were withdrawn.

The committee accepted both cities in September, in Lima, as Thomas Bach (President of IOC) suggested Paris for the 2024 and Los Angeles for the 2028 Olympic Games.

After the introduction, the first part dealt with the effect on macroeconomic changes, income and job creation, economic activity, GDP growth and organisational changes by the Olympic investments. Then, I focused on the inflation, on the prices, on the tourism and on the country image. Also, I gave some time to detail the effects on social impact, impact on sports, and cultural effects. In general, I can summarize that the investments which would come with the Olympic Games would have positive effects on every part of the host country economy, could improve the macroeconomic figures and could improve the country image.

After that I introduced the Games Knowledge Management Program, which was developed by the International Olympic Committee. The Program was set up to help new countries and cities to have enormous cost overruns as it happened in the past. Group of researchers examined the results of the program and I gave some details of it.

The reason of the study was:
To study the cost overrun compared to the original budget is crucial for the future Olympic organising cities to understand the size of the project and the risk they undertake.

The part of the bidding that the IOC (International Olympic Committee) requires guarantee from the organising cities and government that they can cover any cost overrun in the Olympic project. The overrun should be taken into account in the budget planning to get realistic pictures.

Furthermore, the already tightened government spending and being in a crucial economic environment requires that the Governments make financially grounded decisions. For example, in Greece the debts and cost overrun from Athens 2004 Games enormously affected the Greek economy. It contributed - with other factors - into a deep economic crisis, which started in 2007 and still has impact on the economy.

Summarizing the outcome, the study asks for a really careful consideration of the costs of this megaproject – to host the Olympic Games.

After that I presented the candidature process in details, which had three stages. The second part of my thesis detailed the candidates of the 2024 Summer Olympic Games.

In the seventh chapter I collected the main points of the venue concept of the Los Angeles, Paris, Roma and Budapest Olympic application and the financial aims of the above mentioned applications. However, I included into this chapter, but the Budapest applications were withdrawn.
TABLES

1. Table Title: The direct and indirect effects of the Olympics in the three phase for the examined Olympics Source: (Andrew K. Rose & Mark M. Spiegel, 2011,Mizuho Research Institute, PWC, 2015 p.1007)


5. Table Title: Candidature budget(own) Source: https://gamesbids.com/eng/featured/rome-2024-will-spend-only-a-fraction-of-what-opponents-plan-on-olympic-bid/
FIGURES


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